

Message Text

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ACTION IO-14

INFO OCT-01 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-02 PA-03 PRS-01 USIA-12 NEA-10

RSR-01 /165 W

----- 018035

R 100446 Z MAR 73

FM AMEMBASSY BANGKOK

TO AMEMBASSY MANILA

INFO SECSTATE WASHDC 1330

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MANILA FOR USADB

PASS NAC AGENCIES

E. O. 11652: N/A

TAGS: EFIN: IBRD: ECAFE: UNDP

SUBJECT: RED: ADB RELATIONSHIP WITH REGIONAL ORGANIZATIONS

1. WE HAVE NOTED A CURIOUS RELUCTANCE ON THE PART OF ADB TO RE-
COGNIZE EITHER DE FACTO OR DE JURE ROLE OF MEKONG COORDINATING COM-
MITTEE (MCC) AS A VIABLE REGIONAL ORGANIZATION SERVING AS THE PRIN-
CIPAL OPERATIONAL AGENCY AND FOCAL POINT FOR PLANNING AND EXECUTION
OF DEVELOPMENT PROJECTS IN THE MEKONG BASIN. CASE IN POINT IS THE
ADB PROPOSAL ON CASIER SUD PIONEER AGRICULTURAL PROJECT IN LAOS,
DATED FEBRUARY 26, 1973 (ADB DOCUMENT R19-73). THROUGHOUT PROPOSAL
BANK IDENTIFIES ACTIVITY AS UNDP REGIONAL PROJECT NO. 253. WISH
POINT OUT THAT THIS IS ONE OF SOME SEVENTEEN PIONEER AGRICULTURAL
PROJECTS BEINF FUNDED OUT OF THE \$2.0 MILLION BASINSIDE INVESTI-
GATION FUND RAISED BY THE MEKONG COORDINATING COMMITTEE. THE NETHER-
LANDS, UNITED KINGDON, JAPAN AND THE UNITED STATES AS WELL AS UNDP
CONTRIBUTED TO THIS GENERAL FUND IN WHICH NO SINGLE DONOR INCRE-
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MENT IS STILL IDENTIFIABLE BY SOURCE. ALL CONTRIBUTIONS TO THE BASINWIDE INVESTIGATION FUND WERE MADE TO THE MEKONG COORDINATING COMMITTEE, AND ALL PROJECTS NOW BEING CARRIED OUT UNDER FINANCING FROM THIS FUND SHOULD BE IDENTIFIED AS MEKONG COORDINATING COMMITTEE PROJECTS. THE MCC IN TURN ASKED THE IBRD TO ADMINISTER THE FUND WHICH IS BEING USED TO PREPARE PROJECTS FOR EVENTUAL FINANCING BY A \$50 MILLION PRONEER AGRICULTURAL PROJECT FUND. FOR CERTAIN OF THESE PROJECTS THE IBRD HAS RELEGATED ITS ROLE AS EXECUTING AGENT TO THE ADB, SINCE THE LATTER WANTED TO PLAY SOME ROLE IN OVERALL MEKONG DEVELOPMENT. THE EXTENT OF SUCH A ROLE BY THE ADB WILL BE LARGELY DETERMINED BY ITS ATTITUDE AND ABILITY TO RECOGNIZE AND RELATE TO THE MCC AS A FAIRLY AUTONOMOUS REGIONAL AGENCY WITH A BROAD MANDATE FOR COORDINATING MEKONG AFFAIRS GIVEN IT BY THE FOUR RAPARIAN MEKONG NATIONS.

2. REQUEST THAT U. S. DIRECTOR BRING FOREGOING FACTUAL SITUATION TO ATTENTION OF ADB MANAGEMENT AND SEEK TO HAVE ERRONEOUS DESCRIPTION OF PROJECT CORRECTED.

3. FOREGOING EXAMPLE INDICATIVE OF OVERALL ADB CURRENT OPERATIONAL POLICY VIS- A- VIS INDEGENOUS REGIONAL ORGANIZATIONS OF SOUTHEAST ASIA. BELIEVE IT WOULD BE MOST WORTHWHILE FOR USADB TO EXPLORE HOW ADB COULD BECOME INSTRUMENTAL IN PROVIDING FINANCIAL ASSISTANCE TO REGIONAL ORGANIZATIONS BOTH WITH AND WITHOUT FORMAL AFFILIATION WITH THE U. N. OR ECAFE. TWO CONSIDERATIONS PROMPT THIS REQUEST: A) UNLIKE OTHER REGIONAL BANKS OR THE IBRD, IT APPEARS THAT THE ADB CHARTER ALLOWS AFFILIATION WITH, AND ASSISTANCE TO, REGIONAL AND INTERNATIONAL ORGANIZATIONS, AND (B) SOUTHEAST ASIA HAS SOME HIGHLY EFFECTIVE

AND FULLY OPERATONAL REGIONAL ORGANIZATIONS WHICH COULD READILY

UTILIZE BOTH GRANT AND LOAN ASSISTANCE. ADB IS DEVELOPING A RELATIONSHIP WITH ONE OF THESE, SEATAC, BY CONSIDERING SECONDING SOME OF ITS OWN STAFF TO THE SEATAC SECRETARIAT TO ASSIST IN DEVELOPMENT OF PROJECTS OUTLINED IN THE ADB SPONSORED REGIONAL TRANSPORT SURVEY. SUCH A PRECEDENT SHOULD BE SEIZED AND EXPANDED UPON ESPECIALLY AS PROJECT DEVELOPMENT ENVOLVES INTO POTENTIAL CAPITAL LOANS. IT WOULD SEEM THAT THE ADB COULD CONSIDER LOANS TO SEATAC, SEAMEO AND OTHER REGIONAL ENTITIES, IF THE MEMBER NATIONS OF THESE ORGANIZATIONS COULD WORK OUT A SCHEME WITH THE ADB WHEREBY THOSE BENEFITING BY THE LOAN COULD SERVE AS GUARANTOR THERETO LIMITED OFFICIAL USE

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PROPORTIONATE TO THE DEGREE OF BEFEFITS RECEIVED.

4. POSSIBILITY OF ADB ASSISTANCE TO REGIONAL ORGANIZATIONS WAS BROACHED BY RED REPRESENTATIVE WITH THE ADB AND IBRD REPRESENTATIVES ATTENDING UNDP REGIONAL RESREPS CONFERENCE IN BANGKOK THIS WEEK. IT WAS OCCASIONED BY THE IBRD REP STATING THAT ALL TECHNICAL ASSISTANCE FOR LOAN PROJECT PREPARATION INEVITABLY RESULTS IN THE LOAN PROJECTS EMERGING BEING BROKEN DOWN INTO THEIR NATIONAL COMPONENTS, SINCE ONLY INDIVIDUAL NATIONS CAN SERVE AS GUARANTORS UNDER IBRD'S POLICY.

THE ADB REP CITED THE MALACCA FERRY PROJECT AS A CASE WHERE PROBABLY THE ULTIMATE LOAN WOULD BE IN TWO SEPARATE COMPONENTS, ONE TO MALAYSIA AND ONE TO INDONESIA BASED ON THE ANALYSIS OF RELATIVE BENEFITS.

5. RED VIEW IS THAT PROJECTS IMPLEMENTED UNDER THE AEGIS OF A REGIONAL ORGANIZATION SUCH AS SEATAC OR SEAMEO SHOULD NOT HAVE TO BE BROKEN DOWN INTO NATIONAL COMPONENTS WITH INDIVIDUAL LOANS MADE TO EACH PARTICIPATING COUNTRY. IT WOULD SEEM THAT SUCH A PROCESS BY ITSELF SERVES TO UNDERMINE THE REGIONAL INTEGRITY AND GROWTH OF THE SPONSORING ORGANIZATION. WE BELIEVE THAT ADB SHOULD PIONEER THE PROMOTION OF LOANS TO REGIONAL ORGANIZATIONS BY ESTABLISHING AMORTIZATION SCHEDULES TO WHICH COUNTRIES PARTICIPATING IN A PROJECT WOULD ALL CONTRIBUTE PROPORTIONATE TO ANTICIPATED BENEFITS, AND THAT EACH WOULD LIKEWISE SIGN AS GUARANTOR UP TO THE AMOUNT COMMENSURATE WITH ITS INTEREST IN THE PROJECT.

6. RECOMMEND THAT USADB, WITH NAC CONCURRENCE, RAISE THIS QUESTION WITH ADB MANAGEMENT OR BOARD OR THAT U. S. GOVERNOR RAISE IT AT SIXTH ANNUAL MEETING IN APRIL. THIS MATTER DISCUSSED BRIEFLY WITH WESTCOTT BY RED. WE WOULD APPRECIATE BEING KEPT INFORMED OF ADB REACTIONS IN ANY FURTHER DISCUSSIONS OF THIS MATTER.

DECONTROL FOLLOWING MARCH 9, 1975.
UNGER

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